

CARB Public Consultation Meeting

Compressed Natural Gas Specifications

August 3, 2005

WSPA/CIPA Presentation



**Western States
Petroleum
Association (WSPA)**

**California
Independent
Petroleum
Association (CIPA)**

WSPA/CIPA Interests

Western States Petroleum Association (WSPA)

- Non-profit representing 26 companies that explore, produce, transport, refine and market oil and natural gas in six western States (CA, WA, OR, NV, AZ, HI).

California Independent Petroleum Association (CIPA)

- Non-profit, non-partisan trade association representing approximately 450 independent crude oil and natural gas producers, royalty owners, and service and supply companies operating in California.
- ☞ Represent the majority of petroleum companies that produce or deliver natural gas to California.
- ☞ Represent nearly **all** of California's domestic natural gas production (including offshore production).
- ☞ Participate in most West-Coast LNG projects under consideration.
- ☞ Deliver a significant portion of interstate natural gas consumed in California.

WSPA/CIPA Core Principles

- As a “fungible commodity”, maximizing natural gas supply through flexible specifications will benefit consumers:
 - Reduce long-term upward price pressure.
 - Reduce short-term price volatility caused by shortages.
- Natural gas supply development requires stable regulatory framework and sanctity of contracts; stability is key to investment decisions.
- Cost-effective, science-based policy decisions will lead to clear and reasonable natural gas specifications.
- Clear and reasonable natural gas quality specifications and enforcement protocols are critical to adequacy of supply.

Comments on CARB Proposed Concept

- Draft CARB Proposal includes the following elements which are supported by WSPA/CIPA:
 - Statewide MN 80 and Regional MN 73.
 - Statewide and Regional Wobbe Index.
- MN number coupled with Wobbe Index range eliminates the need for C4+ and Total Inerts specifications.
- WSPA/CIPA supports Wobbe Index of 1400 (maximum).

Comments on CARB Proposed Concept

(continued)

Importance of Flexibility: A Regional MN 73 is necessary to avoid

- Significant capital investment for new C2/C3 extraction infrastructure.
- Temporary loss of production capacity (for construction).
- Increased energy demand at production/extraction facility.
- Generation of significant amounts of a non-marketable gas (ethane).
- Creation of more air emissions (fugitives as well as fired-equipment).
- Undermining existing contractual relationships and discouraging investment in new associated gas production.

Comments on CARB Proposed Concept

(continued)

- WSPA/CIPA understand that Regional MN 73 “conditions” need to be “refined” to ensure all HD vehicles are accommodated.
- WSPA/CIPA believes that Statewide MN 80 and Regional MN 73 is a temporary (interim).
- Anticipated HD technology will support statewide MN 73 by 2008.
- WSPA/CIPA supports consideration of interim measures until that time.

Comments on CARB Proposed Concept

(continued)

It is recognized that to accommodate the CARB Proposal, steps need to be taken to ensure that regional MN 73 can service the existing fleet:

- Continue blending in-state and interstate gas in utility pipelines.
- Continue truck blending as needed for CNG fueling until more permanent solution is achieved.
- Continue dispensing station CNG/LNG blending if deemed necessary.
- Minimize producer facility modifications.
- Consider selected SJV and Coastal engine replacements as necessary.

Collaborative Studies Underway

- Residential Surveys
- Phase II SoCalGas Study
- Large Electric Turbine Studies
- Commercial/Industrial Surveys
- Stationary Gas Engines Studies
- NGV Legacy Fleet Studies
- Cost-effective solutions and collaborative use of expertise and resources to enhance consumer access to affordable supply.

Need for Certainty: Chicken and Egg

- Need for certainty now for planning of future natural gas supplies. Need for stable legal and regulatory environment in which producers and LDCs have assurances that existing and new contracts will be honored and terms & conditions will not be changed.
- Establish natural gas quality specification sooner than later considering good science, cost-effectiveness, safety, environmental protection and the size of CNG market, allowing engine technology to provide the future solution.
- Timeliness in finalizing a new specification clears the path for continued CPUC standard discussions.

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